

Sac and Fox Nation
Audited Financial Statements
Governmental Activities and Funds
For the year ended September 30, 2016

Sac and Fox Nation
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INDEPENDENT AUDITORS' REPORT

Midwest Professionals, P.L.L.C

Certified Public Accountants

215 South Court Avenue, Gaylord, MI 49735
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INDEPENDENT AUDITORS' REPORT

To the Business Committee
Sac and Fox Nation
Stroud, Oklahoma

We have audited the accompanying financial statements of the governmental activities, each major governmental fund, and the aggregate remaining governmental fund information of the Sac and Fox Nation of Oklahoma (the "Nation"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Nation's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Nation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Nation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major governmental fund, and the aggregate remaining governmental fund information of the Sac and Fox Nation of Oklahoma, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements of the Nation's blended component units (the Housing Authority of the Sac and Fox Nation and the Sauk Business Enterprises Inc.) and the financial statements of the Nation's fiduciary fund (the Minors' Trust Fund) are excluded from this report. The financial statements present only the governmental activities and governmental funds of the Nation and do not purport to, and do not present fairly the financial position of the Sac and Fox Nation of Oklahoma, as of September 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sac and Fox Nation's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in

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the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017, on our consideration of the Nation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nation's internal control over financial reporting and compliance.

Midwest Professionals
P.L.L.C.

Digitally signed by Midwest
Professionals, PLLC
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Date: 2017.06.30 18:49:37 -04'00'

Midwest Professionals, P.L.L.C.
June 30, 2017
Gaylord, Michigan

Member of American Institute of Certified Public Accountants

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Sac and Fox Nation
Statement of Net Position - Governmental Activities
As of September 30, 2016

	Governmental Activities
Assets	
Cash and Cash Equivalents (Note 2)	\$ 47,490,919
Investments (Note 3)	16,843,907
Accounts Receivable, net (Note 4)	3,491,341
Grants Receivable (Note 5)	142,949
Due From Gaming Enterprise (Note 6)	7,090,047
Inventories	247,105
Capital Assets, net of depreciation (Note 7)	13,306,126
Total Assets	<u>88,612,394</u>
Liabilities	
Accounts Payable	1,894,599
Accrued and Other Liabilities	1,297,563
Per Capita Payable	1,258,229
Deferred Revenue (Note 8)	28,850,865
Compensated Absences (Note 9)	304,329
Total Liabilities	<u>33,605,585</u>
Net Position	
Net Investment in Capital Assets	13,306,126
Restricted (Note 14)	9,007,247
Unrestricted	32,693,436
Total net position	<u><u>\$ 55,006,809</u></u>

The accompanying notes are an integral part of these financial statements.

Sac and Fox Nation
Statement of Activities - Governmental Activities
For the Year Ended September 30, 2016

For the Year Ended September 30, 2016

Functions / Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses				
Governmental Activities:				
Community Service	\$ 2,934,779	\$ 3,216	\$ 2,493,210	\$ (438,353)
Cultural Preservation	571,422	414,035	225,766	68,379
Education & Training	570,462	-	226,671	(343,791)
General Government	8,630,576	739,813	493,952	(7,396,811)
Health Services	10,346,783	1,729,267	11,640,496	3,022,980
Law Enforcement	2,226,309	4,632	2,761,516	539,839
Natural Resources	234,659	16	288,716	54,073
Depreciation and Amortization (Note 7)	889,690	-	-	(889,690)
Total Governmental Activities	\$ 26,404,680	\$ 2,890,979	\$ 18,130,327	\$ (5,383,374)

<i>General Revenues / (Expenses)</i>		
Sales Tax Revenue		3,836,664
Unrealized Gains / (Losses) on Investments		37,288
Realized Gains / (Losses) on Investments		204,896
Interest Income		6,322
Ramah Settlement (Note 15)		3,319,370
Per Capita Distributions		(4,623,324)
<i>Total General Revenues / (Expenses)</i>		<u>2,781,216</u>
Transfers In / (Out) (Note 6)		
<i>Total Transfers</i>		<u>7,089,734</u>
Change in Net Position		
Net Position - Beginning		50,519,233
Net Position - Ending		<u>\$ 55,006,809</u>

The accompanying notes are an integral part of these financial statements.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Sac and Fox Nation
Balance Sheet - Governmental Funds
As of September 30, 2016

Assets

	General Fund	Indirect Cost Fund	B.I.A. Compact Fund	I.H.S. Compact Fund	Other Governmental Funds	Total
Cash and cash equivalents (Note 2)	\$ 11,438,413	\$ 1,123,321	\$ 16,457,616	\$ 12,297,789	\$ 6,173,780	\$ 47,490,919
Investments (Note 3)	16,843,907	-	-	-	-	16,843,907
Accounts Receivable, Net (Note 4)	3,407,490	-	46,566	17,436	19,849	3,491,341
Grants receivable (Note 5)	-	-	-	-	142,949	142,949
Due From Other Funds (Note 6)	7,090,047	409,313	-	1,115,062	1,538,606	10,153,028
Inventory	58,500	-	-	-	188,605	247,105
Total assets	<u>\$ 38,838,357</u>	<u>\$ 1,532,634</u>	<u>\$ 16,504,182</u>	<u>\$ 13,430,287</u>	<u>\$ 8,063,789</u>	<u>\$ 78,369,249</u>

Liabilities and fund balance

Liabilities						
Accounts payable	\$ 471,879	\$ 27,589	\$ 65,169	\$ 1,237,285	\$ 92,677	\$ 1,894,599
Accrued Expenditures	1,256,710	11,524	15,628	7,244	6,457	1,297,563
Per Capita Payable	1,258,229	-	-	-	-	1,258,229
Due To Other Funds (Note 6)	3,042,379	-	20,602	-	-	3,062,981
Deferred revenue (Note 8)	-	-	16,402,783	12,185,758	262,324	28,850,865
Total liabilities	<u>6,029,197</u>	<u>39,113</u>	<u>16,504,182</u>	<u>13,430,287</u>	<u>361,458</u>	<u>36,364,237</u>
Fund balance						
Fund balance - Unassigned	26,634,585	-	-	-	-	26,634,585
Fund balance - Assigned (Note 14)	6,116,075	-	-	-	-	6,116,075
Fund balance - Nonspendable (Note 14)	58,500	-	-	-	188,605	247,105
Fund balance - Restricted (Note 14)	-	1,493,521	-	-	7,513,726	9,007,247
Total fund balance	<u>32,809,160</u>	<u>1,493,521</u>	<u>-</u>	<u>-</u>	<u>7,702,331</u>	<u>42,005,012</u>
Total liabilities and fund balance	<u>\$ 38,838,357</u>	<u>\$ 1,532,634</u>	<u>\$ 16,504,182</u>	<u>\$ 13,430,287</u>	<u>\$ 8,063,789</u>	<u>\$ 78,369,249</u>

The accompanying notes are an integral part of these financial statements.

Sac and Fox Nation

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

For the Year Ended September 30, 2016

	General Fund	Indirect Cost Fund	B.I.A. Compact Fund	I.H.S. Compact Fund	Other Governmental Funds	Total
Revenues						
Federal Revenues	\$ -	\$ -	\$ 3,687,350	\$ 11,627,141	\$ 2,158,246	\$ 17,472,737
State & Other Grant Revenues	-	-	617,990	-	39,600	657,590
In-Kind Revenues	-	-	-	-	1,685,240	1,685,240
Third Party Revenues	-	-	-	-	1,729,267	1,729,267
Sales Tax Revenues	3,836,664	-	-	-	-	3,836,664
Fees, Fines, & Fund Raising Revenues	674,315	-	-	-	-	674,315
Licenses & Permits Revenues	8,680	-	-	-	-	8,680
Investment Income	248,506	-	-	-	-	248,506
Oil & Gas Revenues	35,134	-	-	-	-	35,134
Indirect Cost Recoveries	-	2,989,962	-	-	-	2,989,962
Self-Insurance Revenue	621,995	-	-	-	-	621,995
Ramah Settlement	3,319,370	-	-	-	-	3,319,370
Other	94,896	583	-	-	1,089	96,568
Total Revenues	8,839,560	2,990,545	4,305,340	11,627,141	5,613,442	33,376,028
Expenditures						
Current						
Community Service	739,015	-	749,604	-	1,441,885	2,930,504
Cultural Preservation	368,485	-	-	-	202,105	570,590
Education & Training	371,802	-	173,230	-	24,599	569,631
General Government	6,127,819	2,368,896	395,869	-	-	8,892,584
Health Services	-	-	-	10,323,590	8,121	10,331,711
Law Enforcement	12,240	-	2,181,143	-	29,683	2,223,066
Natural Resources	-	-	-	-	234,317	234,317
Per Capita Distributions	4,623,324	-	-	-	-	4,623,324
Indirect Costs	713,267	-	752,209	1,278,439	246,047	2,989,962
In-Kind Expenditures	-	-	-	-	1,685,240	1,685,240
Capital Outlays (Note 7)	94,061	31,207	53,285	25,112	179,186	382,851
Total Expenditures	13,050,013	2,400,103	4,305,340	11,627,141	4,051,183	35,433,780
Revenues over (under) expenditures	(4,210,453)	590,442	-	-	1,562,259	(2,057,752)
Other Financing Sources (Uses)						
Transfers In From Casinos (Note 6)	7,089,734	-	-	-	-	7,089,734
Total other financing sources (uses)	7,089,734	-	-	-	-	7,089,734
Net change in fund balances	2,879,281	590,442	-	-	1,562,259	5,031,982
Fund balance, beginning of year	29,929,879	903,079	-	-	6,140,072	36,973,030
Fund balance, end of year	\$ 32,809,160	\$ 1,493,521	\$ -	\$ -	\$ 7,702,331	\$ 42,005,012

The accompanying notes are an integral part of these financial statements.

**Sac and Fox Nation
Reconciliation of the Balance Sheet- Governmental Funds
To the Statement of Net Position
As of September 30, 2016**

Total Fund Balances per Balance Sheet - Governmental Funds \$ 42,005,012

Amounts reported for governmental activities in the statement of net position are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 13,306,126

Amounts reported for governmental activities in the statement of net position are different because compensated absences accrued in relation to governmental activities are not reported as liabilities within the funds. (304,329)

Net Position of Governmental Activities \$ 55,006,809

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
For the Year Ended September 30, 2016**

Net Change in Fund Balances - Governmental Funds \$ 5,031,982

Amounts reported for governmental activities in the statement of net position are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay	382,851	
Depreciation Expense	<u>(889,690)</u>	(506,839)

Accrual of compensated absences is not recorded as expenditures within the funds. (37,567)

Change In Net Position of Governmental Activities \$ 4,487,576

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

Note 1 – Organization and Summary of Significant Accounting Policies

Introduction

Pursuant of the Oklahoma Indian Welfare Act of June 26, 1936, the Sac and Fox Nation (the "Nation") was formed. The Nation adopted a new constitution in 1987. The supreme governing body of the Nation is the Governing Council, which is composed of all the voting members of the Nation. The Business Committee is the policy making body of the Nation and is responsible for overseeing all of the Nation's operations. The Business Committee is composed of the Principal Chief, Second Chief, Secretary, Treasurer, and one Committee Member. The members of the Business Committee are elected to a 4 year term, with elections staggered every two years. The administrative offices for the Sac and Fox Nation are located in Stroud, Oklahoma.

The accompanying basic financial statements reflect the financial position and results of the operations of the activities over which the Nation exercises fiscal and administrative control. The financial statements do not include the financial position and the results of operations of individual members of the Business Committee, or various non-tribal entities that are independent of the Nation and over which the Nation does not exercise operating control.

The accounting policies of the Sac and Fox Nation conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) issues standards for governmental accounting and financial reporting. GASB statements and interpretations constitute GAAP for governments, including Indian tribes. As permitted by GASB Statement No. 20, the Nation has elected to apply pronouncements of the Financial Accounting Standards Board (FASB) issued subsequent to November 30, 1989, except those conflicting with GASB pronouncements, in the proprietary funds.

Reporting Entity

Accounting principles generally accepted in the United States require that these financial statements include the primary government and its component units. Component units are legally separate organizations that are included in the Nation's reporting entity because of the significance of their operational or financial relationships with the Nation. All significant activities and organizations with which the Nation exercises oversight responsibility have been considered for inclusion in the financial statements.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include,

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Reporting Entity - Continued

but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria the **Housing Authority of the Sac and Fox Nation**, and **Sauk Business Enterprises, Inc.**, which includes the *Sac and Fox Casino (Stroud)* and the *Black Hawk Casino (Shawnee)*, are identified as blended component units of the Nation. For financial statement purposes these blended component units are considered enterprise funds. See more detailed descriptions of these blended component units (enterprise funds) below:

Housing Authority of the Sac and Fox Nation – acts as the official Tribally Designated Housing Entity (TDHE) for the Sac and Fox Nation. The purpose of the Authority is to establish decent, safe, and sanitary housing for members of the Sac and Fox Nation. Federal funding is received from the U.S. Department of Housing and Urban Development (HUD).

Sauk Business Enterprises, Inc. – Includes two casinos disclosed below:

Sac and Fox Casino (Stroud) – is an enterprise fund of Sauk Business Enterprises, Inc. formed to operate a gaming facility on tribal land. The Casino's operations consists primarily of gaming machines.

Black Hawk Casino (Shawnee) – is an enterprise fund of Sauk Business Enterprises, Inc. formed to operate a gaming facility on tribal land. The Casino was known as the Sac and Fox Nation Casino (Shawnee) before it was rebranded during the year ended June 30, 2013. The Casino's operations include gaming machines, table games, food and beverage services and tobacco vending machines.

These blended component units (enterprise funds) have been excluded from this report. Only governmental activities of the Nation are reported in the accompanying financial statements. Copies of the audited financial statements for the above listed enterprise funds may be obtained by contacting the Nation's headquarters in Stroud Oklahoma.

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Basis of Accounting

The accompanying financial statements have been prepared in accordance with the reporting model defined by GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Basic Financial Statements

The basic financial statements of the Nation include the government-wide and the fund financial statements. In the current reporting model, the focus is on the Nation as a whole in the government-wide financial statements, while reporting additional and detailed information about the Nation's major governmental activities in the fund financial statements.

Government-Wide Financial Statements

The government-wide statement of net position and the statement of activities present information about the Nation as a whole. However, only governmental type activities are disclosed in the accompanying financial statements. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed primarily through transfers from business-type activities (enterprise funds), investment income, federal grant revenues and taxes. The business-type activities, blended component units and enterprise funds of the Nation are not included in this report.

The government-wide statement of activities reflects the cost of programs and functions (community service, cultural preservation, law enforcement, health services, etc.) reduced by directly associated revenues (charges for services, operating grants, and capital grants) to arrive at the net revenue or expense for each function. Net program revenues or expenses for governmental activities are then adjusted for general revenues and transfers to determine the change in net position for the year. Indirect expenses such as support services and administration incurred in the general government and other functions/activities are allocated to programs/functions that they may benefit. When both restricted and unrestricted resources are available for use, it is the Nation's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

A fund is an independent fiscal and accounting entity with self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance-related legal and contractual provisions. A minimum number of funds are maintained, consistent with legal and managerial requirements.

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Fund Financial Statements - Continued

The fund financial statements provide information about the Nation's funds. Only financial statements for the governmental fund category are presented. The proprietary and fiduciary fund financial statements have been excluded from the accompanying financial statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Nation reports the following major governmental funds:

General Fund - The general fund is the Nation's primary operating fund. It accounts for all financial activity that is not required to be accounted for in another fund.

Indirect Cost Fund - This fund is used to account for the administrative overhead costs of the Nation. Indirect cost rates are negotiated between the Nation and the U.S. Department of Interior – Interior Business Center.

B.I.A. Compact - This fund accounts for special revenue programs for which the funding is received directly from the U.S. Department of Interior, Bureau of Indian Affairs under the Tribal Self-Governance Act of 1994. The objective of the Tribal Self-Governance program is to further the goals of Indian self-determination by providing funds to Indian tribes to administer a wide range of programs with maximum administrative and programmatic flexibility.

I.H.S. Compact - This fund accounts for special revenue programs for which the funding is received directly from the U.S. Department of Health and Human Services, Indian Health Services under the Tribal Self-Governance Act of 1994. The objective of the Tribal Self-Governance program is to further the goals of Indian self-determination by providing funds to Indian tribes to administer a wide range of programs with maximum administrative and programmatic flexibility.

Blended Component Units (proprietary funds) excluded from this report:

Housing Authority of the Sac and Fox Nation

Sauk Business Enterprises, Inc. (Stroud and Shawnee Casino operations)

Fiduciary fund excluded from this report:

Minors' Trust Fund

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Measurement Focus - Basis of Accounting

Government-Wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Nation gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements (appropriate expenditures) have been satisfied. The Nation applies all applicable FASB pronouncements in accounting and reporting for its operations in the government-wide financial statements.

Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available (susceptible to accrual). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Nation considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the current fiscal year.

Expenditures are recognized when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash and Cash Equivalents

Cash and cash equivalents represents all cash on hand and deposits in financial institutions. Cash equivalents are short-term financial instruments with an original maturity of three months or less.

Investments

Investments in marketable securities with readily determinable market values and all investments in debt securities are recorded at their fair value. Unrealized gains and losses are included in reserve. Federal grant and contract provisions authorize the Nation to invest in obligations of the United States or in obligations or securities that are guaranteed or insured by the United States, or mutual (or other) funds registered with the Securities and Exchange Commission and which only invest in obligations of the United States or securities that are guaranteed or insured by the United States.

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the governmental fund balance sheet, and as “Internal Balances” on the statement of net position within the governmental-wide financial statements.

Grant Receivables

Grant revenue is recognized as appropriate expenditures are incurred on federal and state grant programs. Where the funding has yet to be received by the Nation, a grant receivable is recorded to offset incurred grant expenditures. Grant receivable balances at fiscal year-end represent an excess of expenditures over cash received to date.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is used when management has reason to believe that a portion of accounts receivables will be uncollectible. Adjustments to the allowance account result in an offsetting adjustment to bad debt expense.

Inventories

On the governmental fund financial statements, inventories under governmental fund types are recorded using the purchase method of accounting. Inventory items are fully expensed in the purchase period. Changes in inventory balances are accounted for by making adjustments to a non-spendable fund balance set up for inventory as opposed to directly adjusting purchases expense.

On the government-wide financial statements, all inventories are recorded at the lower of cost or market; these items are capitalized and expensed when consumed. Inventories at September 30, 2016 were as follows:

Pharmacy	\$ 76,000
Food Commodities	112,605
Cattle	<u>58,500</u>
Total	<u>\$247,105</u>

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Capital Assets

Capital assets are recorded at historical cost, or estimated historical cost if the actual historical cost is not known. Contributed assets, including those from the federal government, are recorded at estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Repairs and maintenance are expensed when incurred. Depreciation on capital assets are calculated on the straight-line basis over the following estimated useful lives:

As required by GASB 34, major networks of infrastructure assets acquired since 1980 are reported in the Government-wide financial statements. The Nation does not report infrastructure under the modified approach. Infrastructure assets are depreciated over their useful lives.

Equipment	5 years
Vehicles	5 years
Buildings & Improvements	10-40 years
Land Improvements	10-30 years
Infrastructure	10-40 years

The Nation's capitalization threshold is \$5,000.

Deferred Revenue- Grants

Federal/State award monies received in advance of qualifying expenditures being incurred are recorded on the Nation's balance sheet as deferred revenue.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In-Kind Revenues/Expenditures

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal funding on various grants. Contributed services are therefore recorded as revenue and expenses within the individual grants. The amounts of such services are recorded in the accompanying governmental financial statements at their estimated fair market values at the date of service.

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Indirect Costs

Indirect costs represent recoverable overhead costs charged to programs by the Nation's Indirect Cost Fund in connection with administering and accounting for these programs. The amount charged to each program is determined by a rate, which is negotiated each fiscal year between the Nation and the U.S. Department of the Interior, Internal Business Center (IBC). The Nation's approved rate for fiscal year 2016 was 43.02%.

Budgets

The Sac and Fox Nation makes annual appropriations for the General and Special Revenue Funds. An established budget and a financial control system monitor compliance through a budget-to-actual expenditure comparison. Budget to actual comparisons are not presented in the accompanying financial statements, although they are required by GASB Statement 34. The Nation has not presented the statement due to its limited usefulness in comparing the actual data on a fiscal year basis and the budget information on a calendar year basis.

Equity Classifications

Fund Financial Statements:

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was issued by the Government Accounting Standards Board in February, 2009, effective for fiscal years beginning after June 15, 2010. This statement established new fund balance classifications for governmental funds. It changed the previous terminology of Reserved and Unrestricted to five new classifications, which are as follows:

1. Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. Restricted - Consists of net assets with constraints placed on their use by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (b) law through constitutional provisions or enabling legislation.
3. Committed – Used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. A fund balance commitment can only be modified or rescinded by action of the highest level of decision-making authority.
4. Assigned – Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A policy has not been established to govern the person(s) authorized to assign amounts to a specific purpose.

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

Note 1 – Organization and Summary of Significant Accounting Policies – Continued

Equity Classifications - Continued

5. Unassigned – The lowest classification for the general fund. This is fund balance that has not been reported in any other classification. The general fund is the only fund that can report a positive balance in this category.

Government - Wide Statement:

Equity on the tribe-wide financial statements is presented in the following categories:

1. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - Consists of net position with constraints placed on their use by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates may also affect the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from estimates.

Income Taxes

The Sac and Fox Nation is a treaty Tribe recognized by the federal government as a sovereign government unit and as such, is considered exempt from federal and state income taxes. As such, no income taxes have been provided for in the accompanying financial statements.

Subsequent Events

Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

Note 2 – Cash and Cash Equivalents

Custodial Credit Risk- Custodial credit risk on deposits is the risk that in the event of a bank failure, the Nation's deposits might not be returned to it. The Nation does not have a bank deposit policy to address custodial credit risk.

As of the fiscal year-end, the carrying amount of the Nation's deposits for its governmental activities was \$47,490,919 and bank balances were \$47,963,596. Of the bank balance, \$500,000 was covered by the Federal Deposit Insurance Corporation (FDIC), \$193,545 was collateralized by securities pledged by BancFirst, \$46,334,920 was invested in sweep accounts (see next paragraph for description of sweep accounts), and the remaining \$935,131 was uninsured and uncollateralized (money market funds carried with Exencial). All deposits are carried at cost. For cash and cash equivalents, savings accounts are considered cash equivalent due to their highly liquid nature.

The Nation utilizes "sweep" accounts, which are accounts where the funds are automatically managed between a primary cash account and secondary investment accounts. At fiscal year-end \$46,334,920 of the Nation's funds were located in the investment accounts and carried at fair market value. These investments are insured or guaranteed by the U.S. government. Due to the highly liquid nature of these sweep accounts they are considered cash equivalents for financial statement reporting purposes.

Carrying amounts and bank balances as of the fiscal year-end are detailed below:

	Carrying Amount	Bank Balance
Governmental Activities		
General Fund	\$ 11,438,413	\$ 11,911,090
IDC Fund	1,123,321	1,123,321
B.I.A. Compact	16,457,616	16,457,616
I.H.S. Compact	12,297,789	12,297,789
Other Funds	6,173,780	6,173,780
Total Governmental Activities	<u>\$ 47,490,919</u>	<u>\$ 47,963,596</u>

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

Note 3 – Investments

As of the fiscal year-end the Nation had the following investments:

	Fair Value	Invested in United States Government Backed Securities	Invested In Other
Governmental Activities			
Bureau of Indian Affairs - Trust Account	\$3,774,957	\$3,774,957	\$ -
Bancfirst - Certificate of Deposit	108,942	-	108,942
Exencial - Mutual Funds	12,916,812	10,320,420	2,596,392
Exencial - Stocks (ETF's)	43,196	-	43,196
Total Governmental Activities	<u>\$16,843,907</u>	<u>\$14,095,377</u>	<u>\$2,748,530</u>
Restrictions on Investments			
Investments-Unrestricted	\$16,843,907	\$14,095,377	\$2,748,530
Investments-Restricted	-	-	-
Total Investments	<u>\$16,843,907</u>	<u>\$14,095,377</u>	<u>\$2,748,530</u>

Investment income reported on the *Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds* contains net unrealized gains on investments totaling \$37,288 for fiscal year 2016.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Nation's current investment policy does not allow it to invest Federal and State grant funds in investments that are not guaranteed or insured by the U.S. government. There is no limit to how the Nation may invest funds derived from its own revenues. The Nation's investments are unrated.

Concentration of Credit Risk – The Nation does not currently have a policy that addresses concentration of credit risk. At September 30, 2016 the Nation had no investments in any one issuer (excluding U.S. Treasury securities, those insured by the U.S. government, and mutual funds) that represented 5% or more of the total or the Nation's investments.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to the transaction, the Nation will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Nation's investment policy requires that all grant funds from Federal and State sources be invested in securities that are insured or guaranteed by the U.S. government.

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Note 4 -- Accounts Receivable

Receivables as of September 30, 2016 consisted of the following:

	General Fund	Indirect Cost Fund	B.I.A. Compact Fund	I.H.S. Compact Fund	Other Governmental Funds	Governmental Activity Total
Ramah Settlement Receivable (Note 15)	\$ 3,319,370	\$ -	-	\$ -	\$ -	\$ 3,319,370
Other Receivables	88,120	-	90,240	17,947	189,125	385,432
Less: Allowance for Doubtful Accounts	-	-	43,674	511	169,276	213,461
Accounts Receivable, Net	<u>\$ 3,407,490</u>	<u>\$ -</u>	<u>\$ 46,566</u>	<u>\$ 17,436</u>	<u>\$ 19,849</u>	<u>\$ 3,491,341</u>

Note 5 – Grants Receivable

Grants receivable are deemed to be fully collectible by management and are comprised of the following totals by source at September 30, 2016:

Program Code	Amount
174 - INDIAN ALCOHOL SUBSTANCE (060 - DOJ)	\$ 70
184 - TITLE IV-E PLAN DEV (030 - HHS)	468
086 - LIBRARY BASICS (300 - PRIVATE GRANT)	751
151 - EPA GAP (050 - EPA)	2,608
122 - CAREGIVER (030 - HHS)	5,058
153 - EPA AIR (050 - EPA)	5,097
185 - RE-ENTRY (060 - DOJ)	5,285
152 - EPA WATER (050 - EPA)	5,450
179 - HAZARD MITIGATION (300 - PRIVATE GRANT)	6,562
069 - PROMOTING SAFE AND STABL (030 - HHS)	12,322
193 - NATIONAL SCIENCE FOUNDAT (300 - PRIVATE GRANT)	14,667
185 - RE-ENTRY (300 - PRIVATE GRANT)	18,067
084 - JUVENILE DETENTION CENTE (060 - DOJ)	29,683
062 - INDIAN CHILD WELFARE (030 - HHS)	36,860
	<u>\$ 142,949</u>

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

Note 6 – Interfund Balances and Activity

Interfund balances as of the fiscal year-end are summarized as follows:

Fund	Due To	Due From	Purpose
General Fund	\$ 3,042,379	\$ 7,090,047	Program Support
IDC Fund	-	409,313	Program Support
B.I.A. Compact	20,602	-	Program Support
I.H.S. Compact	-	1,115,062	Program Support
Other Governmental Funds	-	1,538,606	Program Support
Blended Component Units (Enterprise Funds)	7,090,047	-	Revenue Sharing
	<u>\$ 10,153,028</u>	<u>\$ 10,153,028</u>	

The business-type activities and blended component units (enterprise funds) of the Nation are not reported in the accompanying financial statements. The internal balances within the statement of net position will not net zero. A due from the Gaming Enterprise will be carried in the amount of \$7,090,047.

Interfund transfers between governmental funds and blended component units (enterprise funds) during the fiscal year are summarized as follows:

Fund	Transfer Out	Transfer In	Purpose
General Fund	-	7,089,734	Revenue Sharing
Sauk Business Enterprises, Inc.	7,089,734	-	Revenue Sharing
	<u>7,089,734</u>	<u>7,089,734</u>	

The Nation has approved the use of certain trust land by the Gaming Enterprise. The Casinos do not pay rent for the use of such land, and it remains in trust for benefit of the Nation.

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

Note 7 – Capital Assets

Capital asset activity as of the fiscal year-end is summarized as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Construction in Progress	-	173,293	-	173,293
Land	1,349,032	-	-	1,349,032
Total Capital Assets Not Being Depreciated	1,349,032	173,293	-	1,522,325
Capital Assets Being Depreciated				
Buildings and Improvements	19,046,216	6,155	-	19,052,371
Land Improvements	2,379,548	-	-	2,379,548
Vehicles, Equipment & Furniture	5,546,412	203,403	-	5,749,815
Total Capital Assets Being Depreciated	26,972,176	209,558	-	27,181,734
Less Accumulated Depreciation	14,508,243	889,690	-	15,397,933
Capital Assets Being Depreciated, Net	12,463,933	(680,131)	-	11,783,802
Governmental Activities Capital Assets, Net	\$ 13,812,965	\$ (506,838)	\$ -	\$ 13,306,126

Depreciation Expense on the Statement of Activities:

Detailed historical cost records are not available to support the amounts reported within the above fixed asset schedule. It is not practical to assign depreciation expense to functional categories on the Statement of Activities. Therefore, depreciation expense is reported separately within the Statement of Activities.

Total Governmental Activities Depreciation Expense \$ 889,690

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS September 30, 2016

Note 8 – Deferred Revenue

Deferred revenue balances at September 30, 2016 consisted of the following:

B.I.A. Compact

	Program Code	Amount
011 - COURT	(037 - DOI)	1,390
037 - DOI	(037 - DOI)	13,656,513
050 - LIBRARY	(037 - DOI)	125
051 - POLICE	(037 - DOI)	1,768
058 - REALTY	(037 - DOI)	1,321
062 - INDIAN CHILD WELFARE	(037 - DOI)	786
084 - JUVENILE DETENTION CENTE	(037 - DOI)	689,076
087 - MINERAL ASSETS	(037 - DOI)	24,108
130 - SELF GOVERNANCE	(037 - DOI)	595
131 - ENROLLMENT	(037 - DOI)	369
132 - MAINTENANCE	(037 - DOI)	341
133 - WELFARE ASSISTANCE	(037 - DOI)	8,037
134 - HUMAN SERVICES	(037 - DOI)	926
137 - JOHNSON O'MALLEY	(037 - DOI)	(136)
138 - HIGHER EDUCATION	(037 - DOI)	(136)
140 - TRANSPORTATION	(037 - DOI)	(45,165)
143 - G2G TRANSPORTATION	(037 - DOI)	2,062,864
B.I.A. Compact Total		16,402,783

I.H.S. Compact

	Program Code	Amount
032 - CLINIC	(032 - I.H.S.)	11,969,439
034 - SPECIAL DIABETES	(032 - I.H.S.)	30,397
090 - JDC SUBSTANCE ABUSE	(032 - I.H.S.)	297,952
130 - SELF GOVERNANCE	(032 - I.H.S.)	(112,031)
I.H.S. Compact Total		12,185,758

Other Programs

	Program Code	Amount
104 - ELDERS	(030 - HHS)	70,572
145 - HISTORICAL PRESERVATION	(300 - PRIVATE GRANT)	69,550
005 - FDPIR	(005 - USDA)	66,015
074 - LANGUAGE	(040 - ANA)	19,233
117 - NSIP	(030 - HHS)	10,410
038 - LIHEAP	(030 - HHS)	9,664
189 - NATIVE VOICES	(300 - PRIVATE GRANT)	6,029
170 - BRIGHT PATH (NATIVE ASPI	(300 - PRIVATE GRANT)	4,023
085 - CHILDRENS READING CHARIT	(300 - PRIVATE GRANT)	2,000
106 - FAMILY VIOLENCE PREVENTI	(030 - HHS)	1,675
192 - OKLAHOMA HUMANITIES COUN	(300 - PRIVATE GRANT)	1,637
164 - NEW PROGRAM	(030 - HHS)	1,018
175 - ICDBG LAGOON B-07	(070 - HUD)	498
Other Programs Total		262,324
Total All Programs		28,850,865

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

Note 9 – Compensated Absences

Annual Leave

Regular full time employees are allowed to accrue annual leave at a rate of four (4) hours per pay period for the first three (3) years of employment. During the fourth consecutive year of employment and each year thereafter, full time employees accrue annual leave at a rate of six (6) hours per pay period.

Regular part time employees are allowed to accrue annual leave each pay period at a rate of 5% of hours worked for the first three (3) years. During the fourth consecutive year of employment and each year thereafter, part time employees accrue annual leave each pay period at a rate of 7.5%.

Annual leave may be accrued on an unlimited basis. Upon separation from the Nation, payment of unused annual leave will be limited to 104 hours for employees with less than three (3) consecutive years of service, and limited to 160 hours for employees with more than three (3) consecutive years of service.

Compensatory Time

For purposes of authorizing compensatory time in lieu of overtime to employees the Fair Labor Standards Act (FLSA) provisions pertaining to public agencies is adopted. Compensatory time accrued is required to be used before accrued annual leave hours. No more than 240 hours of compensatory time is allowed to be accrued. Unused accrued compensatory time will be paid to employees upon termination.

Compensated absence activity for the fiscal year is summarized as follows:

	Beginning Balance	Earned	Used	Ending Balance	Current Portion
Governmental Funds					
General Fund	\$ 266,762	\$ 510,324	\$ 472,757	\$ 304,329	\$ 304,329
Total Governmental Funds	<u>\$ 266,762</u>	<u>\$ 510,324</u>	<u>\$ 472,757</u>	<u>\$ 304,329</u>	<u>\$ 304,329</u>

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

Note 10 – Risk Management and Contingencies

The Nation is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. For all risks of loss other than for employee health, dental and disability, the Nation's policy is to purchase commercial insurance from independent third parties. Settled claims resulting from these risks have not exceeded commercial insurance coverage for the past three years.

Federal and State Grants

Many of the Nation's programs are funded by various federal and state agencies. Expenditures made under such programs are subject to review and approval or disallowance by the agencies. Any costs disallowed by the agencies are subject to negotiation and are not recorded as liabilities until mutually agreed-upon. As of September 30, 2016, no agency disallowed costs were identified.

Note 11 – Economic Dependency

The Nation receives a significant amount of its financial support from grants. These grants are funded by various federal, state, and local government agencies. The loss of these revenue sources would severely inhibit the Nation's ability to perform regular daily administrative and operating activities.

Note 12 – Retirement Plan

Employees of the Sac and Fox Nation are eligible for participation in the Sac and Fox Nation 401(k) Plan (the "Plan"). All permanent, full time employees of the Nation who have been employed for one year are participants in the plan. Employees may contribute up to 20% of their compensation to the Plan. The Nation provides 6% of each employee's annual compensation to the Plan. Employer contributions are vested at participation. The contributions to the Plan are invested according to participant's directions. Employee and employer contributions for the year ended September 30, 2016 were \$147,547 and \$468,164 respectively.

Note 13 – Reclassification of Fund Balance

The Nation's finance department changed accounting software systems in fiscal year 2016. Additionally, some changes were made to the chart of accounts that caused equity balances to be shifted between funds as follows:

<u>Fund</u>	<u>Increase / (Decrease)</u>
General Fund	909,049
Other Governmental Funds	(909,049)
Net Change	-

SAC AND FOX NATION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2016

Note 14 – Restricted Equity

The Nation considers funds carried within the Revenue Allocation Plan program to be assigned and reports it as such on the Balance Sheet – Governmental Funds. The amount of assigned Revenue Allocation Plan funds at September 30, 2016 was \$6,116,075. These amounts are not considered restricted and are, therefore, classified as “Unrestricted” on the Statement of Net Position.

Items of inventory are not in a spendable form and related equity is classified as nonspendable on the Balance Sheet – Governmental Funds. The Nation’s nonspendable fund balance as of the year-end was \$247,105 exactly matching the inventory balance carried at that date. These amounts are not considered restricted and are, therefore, classified as “Unrestricted” on the Statement of Net Position.

The use of fund balance carried over from one year to the next within special revenue funds is restricted based on the purpose of the particular program. The special revenue funds of the Nation include its Indirect Cost Fund, B.I.A. Compact Fund, I.H.S. Compact Fund, and Other Governmental Funds. Positive equity carried as of the year-end within these special revenue funds amounted to \$9,007,247.

	09/30/2016 Restricted Fund Balance
Indirect Cost Fund	
030 Indirect Cost	\$ 1,493,521
Total B.I.A. Compact Fund	<u>1,493,521</u>
Other Governmental Funds	
005 USDA / FDPIR	56,165
039 Clinic Third Party	<u>7,457,561</u>
Total Other Governmental Funds	<u>7,513,726</u>
Total of All Funds	<u>\$ 9,007,247</u>

Note 15 – Ramah Settlement

On September 30, 2015, a federal district court preliminarily approved the proposed settlement negotiated to resolve the claims in Ramah Navajo Chapter v. Jewell, No. 90-CV-0957 (D. N.M. filed Oct. 4, 1990), a class-action lawsuit seeking to recover contract support costs from the BIA for ISDEAA contracts or self-governance agreements entered into between FY 1994 and FY 2013. The Nation received \$3,319,370 on November 15, 2016. These dollars are considered discretionary.

SINGLE AUDIT SECTION

SAC AND FOX NATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Federal Grantor / Pass-through Grantor/Program or Cluster Title	Pass-through		Total Federal Expenditures	Expenditures to Subrecipients
	Federal CFDA Number	Entity Identifying Number		
U.S. Department of Agriculture				
Commodity Foods- In Kind	10.565		1,609,952	-
Food Distribution	10.567		745,005	-
Passed-Through Oklahoma State Department of Education				
National School Lunch Program	10.555	41-B002	13,251	-
National School Breakfast Program	10.553	41-B002	8,536	-
Total U.S. Department of Agriculture			<u>2,375,744</u>	<u>-</u>
U.S. Department of the Interior				
Tribal Courts	15.029		202,310	-
Tribal Self-Governance	15.022		306,725	-
Indian Law Enforcement	15.030		794,517	-
Real Estate - Indian Lands	15.040		218,210	-
Indian Child Welfare	15.144		118,379	-
Juvenile Detention Center	15.150		587,084	-
Indian Social Services - Welfare Assistance	15.113		13,817	-
Services to Indian Children, Elderly and Families	15.025		493,645	-
Indian Education - Higher Education	15.114		173,230	-
Indian Community Fire Protection	15.025		5,423	-
Contract Support	15.024		752,209	-
Total U.S. Department of the Interior			<u>3,665,550</u>	<u>-</u>
U.S. National Foundation of Arts and Humanities				
Library Basic Grant / Enhancement Grant	45.311		5,908	-
Total U.S. National Foundation of Arts and Humanities			<u>5,908</u>	<u>-</u>
U.S. National Science Foundation				
Social, Behavioral and Economic Sciences	47.075		24,599	-
Total U.S. National Science Foundation			<u>24,599</u>	<u>-</u>

**SAC AND FOX NATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Federal Grantor / Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Expenditures to Subrecipients
U.S. Environmental Protection Agency				
Air Pollution Control	66.034		85,524	-
Clean Water Act	66.xxx		93,847	-
General Assistance Program	66.926		109,345	-
Total U.S. Environmental Protection Agency			288,716	
U.S. Department of Health and Human Services				
Title VI Part A Elders	93.047		144,842	-
Nutrition Services Incentive	93.053		9,201	-
Title VI-C Caregivers	93.054		22,670	-
I.H.S. Compact	93.210		11,052,572	-
Juvenile Detention Center - Substance Abuse	93.210		104,533	-
Special Diabetes	93.237		470,036	-
Title IV-B Safe Families	93.556		33,259	-
LIHEAP	93.568		44,185	-
ANA Language	93.587		218,953	-
Native Employment Works	93.594		13,126	-
Child Care Development Fund - Mandatory	93.596		294,208	294,208
Child Care Development Fund - Discretionary	93.575		294,208	294,208
Title IV-B Child Welfare	93.645		19,379	-
Total U.S. Department of Health and Human Services			12,721,172	588,415
Total Expenditures of Federal Awards			19,082,689	588,415

See accompanying notes to the schedule of expenditures of federal awards.

Sac and Fox Nation
Notes to the Schedule of Expenditures of Federal Awards
for the Year Ended September 30, 2016

Note A - Basis of Presentation

The accompanying schedule of expenditures of Federal Awards includes the Federal Grant activity of the Sac and Fox Nation and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The Nation did not elect to use the 10 percent de minimis indirect cost rate as allowed under the OMB *Uniform Guidance*.

Note B – Federal Awards Expended for Loan or Loan Guarantee Programs

The Sac and Fox Nation did not expend any federal awards for loan or loan guarantee programs.

Note C - Subrecipients

The Sac and Fox Nation provided Child Care Development Fund federal awards under CFDA No. 93.596 and 93.575 to the Central Tribes of the Shawnee Area, Inc. (a nonprofit corporation) in fiscal year 2016. The total amount provided was \$588,416.

Note D - In-Kind

Nonmonetary assistance is reported in the schedule at the fair market value of the commodity foods received from the U.S. Department of Agriculture totaling \$1,609,952 during the fiscal year.

Note E - Reconciliation of Reported Expenditures to Financial Statement Totals

The following is a reconciliation of total federal expenditures reported on the Schedule of Expenditures of Federal Awards to the federal revenue total reported on the Nation's statement of revenues, expenditures, and changes in fund balance- governmental funds for the year ending September 30, 2016:

Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds (as listed in Table of Contents)	\$17,472,737
Add: Food Commodities Disbursed In-kind (CFDA# 10.565)	1,609,952
Reconciled Federal & State Revenues	<u>\$19,082,689</u>
 Total of all assistance reported on the Schedule of Expenditures of Federal Awards	 <u>\$19,082,689</u>
 Difference	 <u>\$0</u>

Midwest Professionals, P.L.L.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Business Committee
Sac and Fox Nation
Stroud, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major governmental fund, and the aggregate remaining governmental fund information of the Sac and Fox Nation (the "Nation"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the governmental activities and governmental fund financial statements, and have issued our report thereon dated June 30, 2017.

As described in Note 1, the financial statements present only the governmental activities and governmental funds of the Nation and do not purport to, and do not present fairly the financial position of the Sac and Fox Nation of Oklahoma, as of September 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Nation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sac and Fox Nation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Nation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Midwest Professionals
P.L.L.C.

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Midwest Professionals, P.L.L.C.
June 30, 2017
Gaylord, Michigan

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Business Committee
Sac and Fox Nation
Stroud, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the Sac and Fox Nation of Oklahoma's (the "Nation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Nation's major federal programs for the year ended September 30, 2016. The Sac and Fox Nation of Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Nation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Nation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Sac and Fox Nation of Oklahoma's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sac and Fox Nation of Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

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Report on Internal Control over Compliance

Management of the Sac and Fox Nation of Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sac and Fox Nation of Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Nation's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Midwest Professionals
P.L.L.C.

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Midwest Professionals, P.L.L.C.
June 30, 2017
Gaylord, Michigan

Member of American Institute of Certified Public Accountants

Sac and Fox Nation
Schedule of Findings and Questioned Costs
Year Ended September 30, 2016
Part A- Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the governmental activities and governmental fund financial statements of the Sac and Fox Nation were prepared in accordance with GAAP
2. No deficiencies relating to the audit of the governmental activities and governmental funds financial statements are reported in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*.
3. No instances of noncompliance material to the governmental activities and governmental fund financial statements of the Sac and Fox Nation of Oklahoma were disclosed during the audit.
4. No deficiencies relating to the audit of the major federal awards are reported in the *Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal programs for the Sac and Fox Nation of Oklahoma expresses an unmodified opinion.
6. No audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in Part C of this schedule. No questioned costs are reported.
7. The programs tested as major programs included:

Federal Major Programs	<u>CFDA No.</u>
Indian Health Services (I.H.S.) Compact (Health and Human Services)	93.210
Special Diabetes (Health and Human Services)	93.237
ANA Language (Health and Human Services)	93.587
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Sac and Fox Nation of Oklahoma is determined to be a non low-risk auditee.

**Sac and Fox Nation
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016
Part B- Financial Statement Findings**

Prior Year Audit Findings:

Internal Control over Financial Reporting

None noted.

Compliance and Other Matters

None noted.

Current Year Audit Findings:

Internal Control over Financial Reporting

None noted.

Compliance and Other Matters

None noted.

**Sac and Fox Nation
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016
Part C- Major Federal Award Programs Audit**

Prior Year Audit Findings:

Internal Control over Compliance

None noted.

Compliance and Other Matters

None noted.

Current Year Audit Findings:

Internal Control over Compliance

None noted.

Compliance and Other Matters

None noted.

